

## Message Text

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46

ACTION PM-09

INFO OCT-01 EA-11 ADP-00 SS-15 NSC-10 AID-20 EB-11 MC-02

L-03 COME-00 TRSE-00 OMB-01 CIAE-00 INR-10 NSAE-00

RSC-01 RSR-01 /095 W

----- 122657

R 200858 Z APR 73

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 8382

SECDEF WASHDC

INFO CINCPAC

C O N F I D E N T I A L TAIPEI 2351

E. O. 11652: GDS

TAGS: MASS, TW

SUBJECT: PG SHIP CO- PRODUCTION PROJECT

REF: A. STATE 068263; B. TAIPEI 2137

1. GRC HAS PLACED VERY HIGH PRIORITY ON ACQUISITION OF PATROL CRAFT AND, IF NECESSARY TO SPEED UP US DECISION, GRC APPEARS PREPARED TO CO- PRODUCE SHIPS ON CASH BASIS. SHOULD DECISION BE DELAYED OR NEGATIVE, GRC APPEARS PREPARED TO PROCURE ELSEWHERE.

2. IN LETTER TO ADMIRAL ZUMWALT DATED APRIL 14 CINC ROC NAVY IN REFLECTING ON " THREE YEAR DELAY" IN ACQUISITION PG92 STATES THAT MODERNIZATION NAVY DEFENSE CAPABILITY " ESSENTIAL", THAT US DELAY UNDERSTOOD TO BE OCCASIONED " BY FMS CREDIT PROBLEM," AND THAT GRC WILLING USE " GOVERNMENTAL FUNDS TO SUPPORT THIS PROGRAM IF FMS CREDIT NOT POSSIBLE." MND LETTER RECEIVED 19 APRIL EVEN MORE STRONGLY REAFFIRMS THIS POSITION, STATES US\$2.9 MILLION HAS BEEN EARMARKED FOR INITIAL YEAR'S PROGRAM, AND NOTES THAT MND WILL COORDINATE " DEVIATION OF FUNDS" FROM OTHER PROGRAMS WHEN PGM AGREEMENT FINALIZED. MESSAGE REQUESTS PROMPT TRANSMITTAL OF MND DECISION TO USG.

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3. DESPITE GRC WILLINGNESS TO FALL BACK TO CASH PURCHASE OF PGM, RATIONALE PARA 5 REF B STILL APPLIES. GRC CASH

OUTLAY FOR PROCUREMENT OF OTHER MILITARY MODERNIZATION REQUIREMENTS WILL BE SIZEABLE DURING COMING YEAR, AND IF PG VESSELS ARE CO- PRODUCED ON STRICTLY CASH BASIS, THERE WILL HAVE TO BE DIVERSION OF FUNDS FROM OTHER PROJECTS ( AS ACKNOWLEDGED IN MND LETTER- PARA 2 ABOVE) OR INCREASE IN MILITARY SHARE OF BUDGET AND GNP.

4. RECOMMENDATION: COUNTRY TEAM RECOMMENDS THAT USG PROMPTLY APPROVE APPROPRIATE FMS CREDIT/ CASH MIX FOR CO- PRODUCTION OF FIRST FIVE VESSELS. REMAINING TEN VESSELS WOULD BE BUILT BY ROC ON FMS CASH BASIS. IN EVENT DELAY FORESEEN IN APPROVING FMS CREDIT, WE SHOULD TAKE ADVANTAGE OF GRC FALLBACK POSITION AND APPROVE FMS CASH TRANSACTION IN ORDER TO MOVE PROJECT AHEAD AS RAPIDLY AS POSSIBLE.  
MCCONAUGHY

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## Message Attributes

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**Capture Date:** 02 APR 1999  
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**Concepts:** n/a  
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**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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